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AMEMBASSY PRAGUE

AMEMBASSY SOFIA

USMISSION EC BRUSSELS

USMISSION NATO

AMEMBASSY WARSAW

C O N F I D E N T I A L MOSCOW 1246

E. O. 11652: GDS

TAGS: ETRD, EFIN, ENRG, COMECON, UR

SUBJ: CEMA EXECUTIVE COMMITTEE MEETING IN MOSCOW

REF: REF: A. MOSCOW 1146

B. MOSCOW A-42

1. SUMMARY. MOST IMPORTANT DEVELOPMENTS IN RECENT MEETING OF
THE CEMA EXECUTIVE COMMITTEE IN MOSCOW WERE CONSIDERATION OF
A POSSIBLE INCREASE IN THE USE OF THE TRANSFERABLE RUBLE IN

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INTRA-CEMA TRADE, RECOMMENDATIONS REGARDING PRICES IN INTRA-
CEMA TRADE DURING THE 1976-80 PERIOD, ANNOUNCEMENT OF CONTINUED

PLANS FOR A CEMA GEOLOGICAL SURVEY OF MINERAL RESOURCES IN MONGOLIA AND CONSIDERATION OF CEMA TIES WITH FINLAND. END SUMMARY.

2. AGAINST BACKGROUND OF INITIAL EEC-CEMA NEGOTIATIONS DUE TO BEGIN SOON IN MOSCOW, REPORTS OF INTENSIVE NEGOTIATIONS ON PRICES FOR SOVIET ENERGY AND RAW MATERIAL SHIPMENTS TO EASTERN EUROPE DURING 1976-80 PERIOD, AND CONTINUED SEVERE INFLATION IN INDUSTRIAL WEST, DECISIONS OF JUST CONCLUDED MEETING OF CEMA EXECUTIVE COMMITTEE IN MOSCOW ARE OF PARTICULAR INTEREST. MEETING'S OFFICIAL COMMUNIQUE PUBLISHED IN SOVIET PRESS JANUARY 24 IS UNUSUALLY LONG, REFERS TO SOME VERY IMPORTANT DEVELOPMENTS, BUT, AS USUAL, LEAVES MANY KEY QUESTIONS UNANSWERED.

3. MEETING WAS ATTENDED BY REPRESENTATIVES AT DEPUTY PRIME MINISTER LEVEL FROM ALL NINE CEMA COUNTRIES AND ALSO FROM YUGOSLAVIA (FEDERAL EXECUTIVE COUNCIL MEMBER B. JOVIC). MOST IMPORTANT AGENDA ITEMS WERE:

(A) EXPANDED ROLE FOR TRANSFERABLE RUBLE? -
GROWING USE OF TRANSFERABLE RUBLE (TR) AS "COLLECTIVE VALUTA" FOR FURTHER DEVELOPMENT OF ECONOMIES OF CEMA COUNTRIES WAS NOTED AND SPECIFIC MEASURES WERE OUTLINED TO GIVE IT "ADDITIONAL STRENGTH AND AN EXPANDED ROLE IN DEVELOPMENT OF COOPERATION AND SOCIALIST ECONOMIC INTEGRATION."

(B) INTRA-CEMA TRADE PRICES FOR 1976-80 -
IN CONNECTION WITH CONCLUSION OF LONG-TERM TRADE AGREEMENTS AND CONTRACTS FOR PERIOD 1976-1980 AND ALSO TO "CREATE FAVORABLE CONDITIONS FOR MUTUAL TRADE," COMMITTEE "ADOPTED RECOMMENDATIONS ON MATTERS OF CONTRACT PRICES IN MUTUAL TRADE OF CEMA COUNTRIES DURING NEXT FIVE-YEAR PLAN PERIOD."

(C) NEW REGULATION ON FINANCING OF CEMA INTERNATIONAL ORGANIZATIONS -
THIS WILL COVER FINANCIAL AND MONETARY SUPPORT OF THESE ORGANIZATIONS - SUCH AS INTERATOMENERGO, INTERTEKSTILMASH, INTERKHIM - IN THEIR RELATIONS WITH INDIVIDUAL CEMA COUNTRIES.
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(D) SPECIAL CEMA GEOLOGICAL SURVEY IN MONGOLIA -
PERMANENT COMMISSION FOR GEOLOGY REPORTED ON PLANS FOR A CEMA GEOLOGICAL SURVEY EXPEDITION IN MONGOLIAN PEOPLE'S REPUBLIC. INTERESTED MEMBER COUNTRIES ARE TO SIGN ORGANIZATION PLANS FOR THIS EXPEDITION.

(E) CEMA COOPERATION WITH FINLAND-
COMMITTEE HEARD REPORT ON PROGRESS IN CEMA-FINNISH ECONOMIC-TECHNICAL COOPERATION PURSUANT TO AGREEMENT OF MAY 1973.

TIES WERE SAID TO BE DEVELOPING SUCCESSFULLY AND NEW MEASURES BEING TAKEN TO STRENGTHEN RELATIONSHIP.

4. OTHER LESS IMPORTANT AGENDA ITEMS INCLUDED REPORT ON SCIENTIFIC-TECHNICAL COOPERATION (70 INTRA-CEMA AGREEMENTS NOW IN FORCE); PLANS FOR EXPANDED COOPERATION IN MACHINE BUILDING AND ALSO IN PRODUCTION OF CONTAINERS; A REPORT ON CEMA ORGANIZATION FOR COOPERATION IN PRODUCTION OF BALL BEARINGS (PRODUCTION WITHIN BLOC UP 170 PERCENT IN PAST TEN YEARS); PLANS FOR IMPROVED PRODUCTION OF PACKING MATERIALS AND PLANS FOR INTENSIFICATION OF PLAN COOPERATION DURING 1975.

5. COMMENT: BY FAR MOST IMPORTANT ITEM APPEARS TO BE ACTION ON CONTRACT PRICES IN INTRA-CEMA TRADE FROM 1976 THROUGH 1980. WHETHER OR NOT THIS INCLUDES REPEAL FIXING OF PRICES FOR SOVIET DELIVERIES OF RAW MATERIALS TO EE CEMA COUNTRIES IS NOT CLEAR. WE SUSPECT THAT IT MAY REFER TO FRAMEWORK AND METHODOLOGY, I.E. FORMULAE WHICH WILL BE USED TO BRING INTRA-CEMA PRICES MORE INTO LINE WITH WORLD MARKET PRICES, WITHOUT CAUSING DEBILITATING DISRUPTION IN TRADE PATTERNS.

6. REFERENCES TO MORE IMPORTANT ROLE FOR TRANSFERABLE RUBLE MERELY PROVIDE BASIS FOR SPECULATION. DURING CONVERSATION WITH EMBOFF ON JANUARY 24 A SENIOR ECONOMIST IN MOSCOW'S INSTITUTE FOR WORLD SOCIALIST ECONOMY, WHO IS USUALLY WELL INFORMED ON CEMA MATTERS REFUSED TO BE DRAWN OUT ON NEW PLANS FOR TR, WOULD SAY ONLY THAT "IT IS OUR INTERNAL AFFAIR." HE DID SAY, HOWEVER, THAT TR MAY BE ASSIGNED A DIFFERENT, SOMEWHAT HIGHER VALUE THAN SOVIET RUBLE AND THAT THIS WILL GIVE IT A DIFFERENT EXCHANGE RATE AGAINST OTHER SOCIALIST COUNTRY CURRENCIES. WE BELIEVE THAT DURING 1975 SOVIETS WILL MAKE
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STRONG EFFORTS TO PUSH USE OF TR BY FINLAND AND YUGOSLAVIA, EVEN THOUGH ACTUAL VOLUME MAY BE VERY LIMITED. WE ALSO PERCEIVE INCREASING USE OF TR FOR INTRA-CEMA OFFICIAL TRAVEL AND TOURISM.

7. BALANCE OF COMMUNIQUE IS MORE OR LESS ROUTINE, ALTHOUGH WE ARE IMPRESSED BY CONTINUAL ATTENTION TO FINLAND, WHICH, AS ONLY WESTERN COUNTRY HAVING SPECIAL ARRANGEMENT WITH CEMA, IS MODEL FOR WHAT SOVIETS (AND CEMA) HOPE TO ACHIEVE WITH OTHER NON-SOCIALIST COUNTRIES IN NEAR FUTURE. PLANS FOR COMBINED CEMA MINERALS SURVEY IN MONGOLIA HAVE BEEN REPORTED EARLIER IN SOVIET PRESS, WHICH HAS INDICATED THAT DIFFERENT SECTIONS OF COUNTRY ARE ALLOCATED FOR EXPLORATION BY PARTICULAR EE GEOLOGISTS, I.E. GDR WILL HAVE ONE REGION, BULGARS ANOTHER. THIS SHOULD PROVIDE PRC WITH CONVENIENT OPPORTUNITY FOR ATTACK ON 19TH CENTURY TYPE SOVIET/CEMA IMPERIALISM.

8. COMMUNIQUE REFERENCE TO NEGOTIATIONS WITH OTHER ECONOMIC

REGIONAL ORGANIZATIONS SUCH AS COMMON MARKET.
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